

## Message Text

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C O N F I D E N T I A L OSLO 4672

EO 11652: XGDS(3)

TAGS: PFOR ENRG US NO

SUBJECT: IS NORWEGIAN OIL STRATEGICALLY IMPORTANT?

REF: OSLO 3740

BEGIN SUMMARY--IN THE SECRETARY'S RECENT ADDRESS TO THE PILGRIMS SOCIETY HE SAID OF THE ENERGY CRISIS THAT "LONG-TERM SOLUTION IS A MASSIVE EFFORT TO PROVIDE PRODUCERS AN INCENTIVE TO INCREASE THEIR SUPPLY." NORWAY WILL SHORTLY BECOME AN IMPORTANT SOURCE OF OIL AND GAS AND WESTERN EUROPE'S ONLY NET EXPORTER OF ENERGY. THIS CABLE SUGGESTS THAT, IF AN EXAMINATION OF NORWAY'S OIL AND GAS RESOURCES INDICATES THEY ARE STRATEGICALLY IMPORTANT, THERE MAY BE A NEED FOR REAPPRAISAL OF OUR RELATIONS WITH NORWAY TO INSURE THE COMMITMENT OF THESE RESOURCES TO THE U.S. AND THE WESTERN ALLIANCE AND TO PROVIDE NORWEGIANS WITH "AN INCENTIVE TO INCREASE THEIR SUPPLY." END SUMMARY

1. NORWAY'S OIL AND GAS RESOURCES ARE SIGNIFICANT: JUST HOW SIGNIFICANT REMAINS TO BE SEEN. EXPLORATION OF THE NORWEGIAN CONTINENTAL SHELF HAS ONLY JUST BEGUN AND ONLY BELOW THE 62ND PARALLEL. BARELY 100 WELLS HAVE BEEN DRILLED IN THIS AREA AND LARGE TRACTS REMAIN UNALLOCATED,  
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BUT SIGNIFICANT FINDS HAVE BEEN MADE, PROVED RESERVES ARE

GROWING RAPIDLY, AND NORWAY IS CONFIDENT OF FINDING STILL MORE OIL IN ITS WATERS NORTH OF 62 DEGREES. IT IS GENERALLY EXPECTED THAT BY 1980 DAILY PRODUCTION WILL REACH APPROXIMATELY ONE MILLION BARRELS OF OIL AND THREE TO FOUR BILLION CUBIC FEET OF GAS. THIS HAS LED TO INTENSE INTEREST FOR NORWEGIAN CONCESSIONS ON THE PART OF OIL AND GAS COMPANIES, INCLUDING MANY MAJOR AMERICAN FIRMS. THE NORWEGIAN GOVERNMENT, HOWEVER, IS FOLLOWING A "MAKE HASTE SLOWLY" POLICY--AND THIS POLICY HAS WIDE SUPPORT IN NORWAY. TO SOME EXTENT, THERE IS CONCERN OVER THE SOCIAL AND ECONOMIC EFFECTS OF AN OVER-HEATED OIL BOOM ON NORWAY'S SMALL ECONOMY AND HOMOGENEOUS SOCIETY. EVEN MORE IMPORTANT IS THE CONVICTION, WHICH THE PRIME MINISTER HIMSELF STRONGLY HOLDS, THAT THE OIL SHOULD NOT BE EXPLOITED SO QUICKLY THAT MASSIVE UNEMPLOYMENT WILL ENSUE ONCE IT HAS ALL BEEN PUMPED OUT OF THE GROUND.

2. WHILE ESTIMATES OF NORWEGIAN OIL AND GAS RESERVES ARE STILL ROUGH, THEY ARE ALREADY SIGNIFICANT ENOUGH FOR WASHINGTON TO TAKE A HARD LOOK AT THE FACTS OF NORWEGIAN OIL AND GAS WITH THE COOPERATION OF AMERICAN COMPANIES WHICH HAVE LOOKED INTO THE SITUATION THEMSELVES AND TO EXAMINE THEIR IMPLICATIONS.

3. AS REPORTED (OSLO 3470), WE CANNOT TAKE NORWAY, ITS ROLE IN NATO, OR ITS SENSITIVE BILATERAL AGREEMENTS WITH US FOR GRANTED OVER THE LONGER TERM. SINCE 1945 THE UNITED STATES HAS LOOKED UPON NORWAY AS HAVING PRIMARY STRATEGIC SIGNIFICANCE TO US BECAUSE OF ITS STRATEGIC LOCATION. IF NORWAY'S OFFSHORE OIL AND GAS RESOURCES ARE ALSO FOUND TO BE STRATEGICALLY SIGNIFICANT, THIS WILL GREATLY INCREASE NORWAY'S IMPORTANCE TO US, AND WE WILL NEED TO EXAMINE THE SECURITY IMPLICATIONS OF THIS FINDING AND TO REAPPRAISE OUR RELATIONS WITH NORWAY.

4. THE FIRST STEP THOUGH IS TO CONFIRM OUR IMPRESSION THAT NORWAY'S OIL AND GAS RESOURCES ARE STRATEGICALLY IMPORTANT, AND IT IS IN THIS EFFORT THAT I SOLICIT THE DEPARTMENT'S ASSISTANCE. WE WILL MEANWHILE BE GIVING THOUGHT TO WAYS OF OBTAINING MAXIMUM U.S. AND NATO ACCESS TO THESE RESOURCES, OF SECURING THEIR FIRM COMMITMENT TO THE WESTERN ALLIANCE, AND OF PROVIDING NORWEGIANS WITH "AN

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INCENTIVE TO INCREASE THEIR SUPPLY." NORWEGIAN DEFENSE PLANNERS, FOR EXAMPLE, ARE SPEAKING OF GREATER NEEDS FOR DEFENSE OF THE CONTINENTAL SHELF. IS THERE MORE THE U.S. OR NATO SHOULD BE DOING TO HELP MEET THIS NEED?

5. EVEN IF THE U.S. BECOME SELF-SUFFICIENT IN ENERGY, OUR NATO ALLIES ARE UNLIKELY TO DO SO, AND IT IS IN OUR JOINT INTEREST TO ENLARGE AS FAR AS POSSIBLE OUR COLLECTIVE POOL OF

SECURE ENERGY. THIS FACT UNDOUBTEDLY IS NOT WASTED ON SOVIET  
STRATEGISTS. BYRNE

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